

## Please: Prevent Your Customers From Leaving WITHOUT EVERYTHING THEY CAME TO BUY

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**B**usiness strategy is about winning. It is about creating the right plan to achieve that singular outcome. But what exactly does it mean to win? Most managers would answer that profit equals winning. Without question, no profit equals losing. Focusing on profit is equivalent to telling an athlete to score more points. The answer is technically correct, yet of no practical value whatsoever. Knowing the score without knowing how to score is a formula for frustration and failure. Instead, we need to think of strategy as “the plan a firm follows to do what it was created to do.” This begs the question, what is it that firms are supposed to do?

Peter Drucker, widely considered the father of modern management, said, “There is only one valid definition of business purpose: to create a customer.” The firm’s definition for winning should be to satisfy customer needs at a sustainable profit level. Customers provide all the company’s real value and are the ultimate asset for all profit-making organizations; therefore, all strategies to gain competitive advantage must provide a better solution for customers while maximizing the creation of incremental shareholder value of customer to the firm.

Paradoxically, customers are one of the few aspects of a business that are not managed as an investment. This oversight negatively impacts profits because not meeting customers’ needs cause product design and launches to fail, poor customer interactions lead to inefficient

resource allocation, and increased customer defections to result in unstable cash flows. Researchers consistently find that firms that adopt a customer lifetime value framework for customer selection and resource allocation strategy significantly outperform their competitors in profits and shareholder value creation.

Operations needs to do a better job of making certain that company-defined quality, and customer-perceived quality are aligned. Because operations are often focused on the creation and distribution of products and services, there is a natural tendency for managers to focus on meeting technical specifications. Though the quality movement of the 1980s has done a great deal to establish standards of technical excellence, we have a long way to go to achieve user-defined excellence. It matters little if a firm is meeting its internal guidelines if these are disconnected from the customer. For example, one company we worked with was surprised to learn that half of its customers were leaving without everything they had intended to purchase. Why? They couldn’t find the item in the store. Operations managers were dismissive of customers because they were certain virtually all items were in stock. To understand what was going on, the company sent executives into the stores with a list of the top 200 bestselling items to find them, with full knowledge that each of the stores had these items in stock. The result? They could only find half of the items on the list. The operations policy had made it very easy to keep items in



stock and on the floor. But the lack of a customer friendly logic to their placement made many items virtually impossible to find.

We must remember that the customer did not design the process, and they don’t care that the system we have designed makes our lives easier. It needs to make customers’ lives easier. So when designing and implementing any process, we need to experience the offering as customers do (i.e., shop our own stores). The primary goal of marketing must be the creation of loyal, long term customers out of first-time or occasional buyers. Accomplishing this requires a clear understanding of what makes customers want to be loyal. And gathering and understanding customer needs is the job of marketing.

### Five Tips to Ensure Customers Leaving With Everything They Came For

1. Watch the exit door. How many of your customers make the effort of coming to your place of business and leave without buying anything at all? While some of these potential customers might simply be killing time, most typically are not. First examine when they left. Did they abandon their shopping after walking the aisles, when looking for assistance, or when waiting in line? Large numbers of customers leaving with nothing means one of five things: (1) you don’t have what they were looking for, (2) if you have what they want, they can’t find it, (3) what you carry does not meet customers’ price/value targets, (4) you lack sufficient knowledgeable employees willing to assist customers, or (5) you have an operations bottleneck that creates pain for customers. All of these problems can be addressed, but you first need to know where the problem is occurring.

2. Solicit customers’ feedback. There is no substitute for real voice of the customer feed-

back. Ask customers in a systematic and structured way if they were able to find everything they intended to purchase. And no, we don’t mean asking customers at the register, as they have already decided they are finished. A good customer survey process is an important place to start. Customers are very willing to share what they did not get, and why they did not purchase it since giving this feedback actually makes it more likely that they will be able to find what they are looking for more easily in the future. When analyzing customers’ feedback, patterns typically develop that point to specific addressable issues.

3. Stay on top of what’s hot. Typically we find out what’s hot when we don’t have any more of it. That is a recipe for missed sales. Clearly, we need to stay current on what is forecasted to be a big seller in the near future. But we also need to monitor what is being bought, and by whom. Often we can find out what’s hot

by carefully listening to customers’ feedback as to what they were unable to buy. Getting this information categorized and in the hands of the appropriate individuals in operations and purchasing can often be the difference between catching and missing an important trend.

4. Shop your own store. Too often we forget what it’s like to be a customer of our own company. Make a list of the top 100 or 200 items that you sell and send in people to determine how easy it is to actually find them.

5. Train employees in cross-selling techniques. Oftentimes customers don’t realize everything they need until they have already made their purchases and left. The reality is that many of the items we buy work best in conjunction with other products and services. The key is in training employees to better serve customers through the logical addition of complementary items, as opposed to pushing products.